

KEERS
ENVIRONMENTAL[®]

Confidential Claim Retracted

AUTHORIZED BY: SL

DATE: 5/16/13

February 6, 2002

Mr. Lawrence Peterson
Chief Operations Officer
Laguna Industries, Inc.
#1 Mesita Industrial Parkway
P.O. Box 1001
Laguna, NM 87026

RE: Phase I Environmental Site Assessment
Laguna Industries, Inc.
#1 Mesita Industrial Parkway
Laguna, NM 87026
KEERS Project No. 01-236-5

Dear Mr. Peterson:

As you know, Keers Environmental completed Phase I Environmental Site Assessment of the above-referenced property. The findings of that assessment, along with conclusion and recommendations, are presented in the report (the "Phase I Report"), which was delivered to you by letter dated November 25, 2001.

The Phase I Report states that it was prepared "for the exclusive use of Laguna Industries, Inc.. and is not intended for use by persons not authorized by the aforementioned". You have advised us that Laguna Industries has authorized use of Phase I Report by the Pueblo of Laguna (the lessor of the plant site covered by the Phase I Report), Wells Fargo Bank, New Mexico, N.A. (the lender to Laguna Industries) and the Bureau of Indian Affairs (the guarantor of portion of Laguna Industries' debt) (such parties begin herein referred to as the "Authorized Parties").



9383204



CONFIDENTIAL

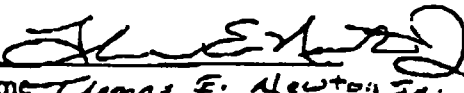
POL-EPA01-0011718

We understand that a copy of the Phase I Report has been provided by Laguna Industries to each of the Authorized Parties. Keers Environmental hereby authorizes each of the Authorized Parties to use and to rely on the Phase I Report, for all intents and purposes, to the same extent as if each of the Authorized Parties were named in the Phase I Report as a direct recipient thereof.

This will also confirm that, despite the fact that the site map included in the Phase I Report shows a site containing 8.405 acres, more or less, the area actually covered by Phase I Report includes the entire 10.5136 acre tract which is the subject of the lease, as amended, of the plant site of Laguna Industries, a legal description of which is attached hereto.

Sincerely,

Keers Environmental

By 
Name Thomas E. Newton Sr.
Title Service Coordinator

Attachment

FEB. -20' 02(TUE) 08:59
FEB-19-2002(TUE) 18:47

KELEHER-PNM

TEL: 5053461345
505552/642

P. 003
P. 003

FROM

(WED) FEB 20 2002 4:23/ST. 4:03/NO. 83:5686029 P 1

FAX

Manuel Lujan Insurance Inc., P O Box 3727, Albuquerque, NM 87190

From: Becky Rivera

Commercial Lines Fax #: 505-255-8140

Date: February 19, 2002

To: Don Border
Of: Laguna Industries

Fax: 505.552.7642

Pages: 2

Re: Quotation for Pollution Liability

Mr. Border.

As per your conversation with Kris Freehling, here is the quotation for Contractors Pollution Liability.

If you should have questions after looking this over, please do not hesitate to call Kris or myself

Thanks,

Becky Rivera

RECEIVED

FEB 19 2002

From the desk of...
Becky Rivera
Manuel Lujan Agencies
2001 San Mateo Blvd. NE
Albuquerque, NM 87110
505.268.7771
Fax: 505.268.9442

FEB. -20' 02 (TUE) 08:59
FEB-19-2002(TUE) 18:47

KELEHER-PNM

TEL:5053461345
5055527642

P. 004
P. 002

FROM

(WED) FEB 20 2002 4:23/ST. 4:03/NO. 6315886029 P 2

Contractors Pollution Liability - Claims Made Form

Company: Gulf Drilling Services Co		Policy: S-150		Form: 1 TEO	
Incident/Aggregate Limit		Deductible/Incident		Annual Premium	
\$1,000,000/\$1,000,000		\$10,000		\$12,433.13	
NOTES:					
✓ Coverages included for Pollution Liability- Bodily Injury, Property Damage and Environmental Remediation Costs					
✓ Retroactive Date: Inception					
✓ Governmental Mandate endorsement					
✓ Intended Use endorsement					
✓ Service of Suit endorsement					
✓ Nuclear energy Exclusion					
✓ Mold Exclusion					
✓ Defense Costs included within limit					
✓ 25% Minimum Retained Premium.					
✓ Covered Site: #1 Mesita Industrial Parkway, Laguna, NM 87026					



Date: February 25, 2002
TO: Charles Moore
FROM: Kris Freehling, CPCU
DD (505) 262-9403 FAX (505) 255-8140
SUBJECT: Laguna Industries

Charles - per our conversation - here are copies of the following
endorsements:

Intended Use
Governmental Mandate

Call em with any questions.

ENDORSEMENT

This endorsement forms a part of the policy to which it is attached. Please read it carefully.

INTENDED USE ENDORSEMENT

It is agreed and accepted that the planned use of the site during the policy period, is.

Acquisition or Operational Changes.

If at any time after signing the application the insured shall become aware of any change in any of the facts declared to us, including the planned or actual use of the site, or if the Insured shall subsequently receive information indicating a change in the ownership of your company or in the operation or use of an "Insured site" you must advise us in writing of such change in ownership, operation or use as soon as practicable, but in no case more than (30) days of such change.

If such notice of a change in planned or actual use is not provided to us, coverage for ONSITE CLEAN UP shall be void as of the thirty first day following such change of use.

All other terms and conditions remain the same.

ENDORSEMENT

This endorsement forms a part of the policy to which it is attached. Please read it carefully

GOVERNMENTAL MANDATE ENDORSEMENT

In consideration of the premium charged, it is hereby agreed that the **POLLUTION LIABILITY COVERAGE FORM, I. INSURING AGREEMENTS, Coverage A - Onsite Cleanup**, paragraph 1. is deleted in its entirety and replaced by the following:

1. The Company will pay for cleanup costs that result from governmental mandate(s) upon you resulting in corrective action provided that claim(s) for cleanup costs are made and reported to us in accordance with section IV, **NOTICE REQUIREMENTS** of this coverage no later than 12 months after the expiration date shown on the declarations page, but the amount we will pay for damages is limited as described in section VI, **LIMITS OF LIABILITY AND DEDUCTIBLE**.

It is further agreed that the following definition is added to the policy with respect to this endorsement.

- A **Governmental mandate(s)** means a directive, order or requirement of the government of the United States or any of its States, or Canada or any of its Provinces, political subdivisions, or court order duly acting under the authority of environmental or related laws to clean-up, remediate or mitigate any pollution conditions.

All other terms and conditions remain the same.

Page 1 of 1

GU-EIL-0021 (06-01)

GULF POLLUTION LIABILITY COVERAGE FORM

THIS POLICY APPLIES ONLY TO POLLUTION CONDITIONS DISCOVERED, OR CLAIMS FIRST MADE AND REPORTED, DURING THE POLICY PERIOD. UNLESS OTHERWISE PROVIDED BY ENDORSEMENT, COSTS, CHARGES AND EXPENSES OF DEFENSE WILL BE PART OF, AND INCLUDED WITHIN, THE APPLICABLE LIMITS OF LIABILITY. COVERAGE UNDER THIS POLICY MAY DIFFER FROM THE COVERAGES AFFORDED UNDER OTHER POLICIES THE INSURED MAY HAVE PURCHASED. THE WORD "INSURED" MEANS ANY PERSON OR ORGANIZATION QUALIFYING AS SUCH UNDER "WHO IS AN INSURED" (SECTION III). OTHER TERMS IN BOLD FACE TYPE ARE DEFINED TERMS WITH SPECIFIC MEANINGS SET FORTH IN THE POLICY. PLEASE READ THE POLICY CAREFULLY.

In consideration of the payment of the premium and in reliance upon the statements in the Application, and subject to all the terms, conditions, and limitations hereof and any endorsements hereto, the Company agrees with the **Named Insured** as follows:

I. INSURING AGREEMENTS

Coverage A – Onsite Cleanup

1. The Company will pay **cleanup costs** that result from **pollution conditions** at, on, or under the Insured's **site(s)** to which this insurance applies, but the amount the Company will pay is limited as described in **LIMITS OF LIABILITY AND DEDUCTIBLE (SECTION VI)**.
2. This insurance applies to **cleanup costs** that result from **pollution conditions** only if:
 - (a) The **cleanup costs** are caused by **pollution conditions** which take place in the **coverage territory**; and
 - (b) The **pollution conditions** commence after the Retroactive Date shown in the Declarations, if any, and before the end of the **policy period**; and
 - (c) The request for payment of **cleanup costs** is first made by the Insured, in accordance with paragraph 3. below, during the **policy period**.
3. A request for payment of **cleanup costs** by the Insured or someone legally representing the Insured will be deemed to have been made when the **pollution conditions** are first discovered by the Insured and reported to the Company during the **policy period**.

Coverage B – Third Party Claims

1. The Company will pay on behalf of the Insured those sums that the Insured becomes legally obligated to pay as damages from **claims for bodily injury or property damage** that result from **pollution conditions** at, on, under or migrating from the Insured's **site(s)** to which this insurance applies. The Company will have the right and duty to defend the Insured against any **suit** seeking those damages. However, the Company will have no duty to defend the Insured against any **suit** seeking damages for **bodily injury or property damage** that result from **pollution conditions** at, on, under or migrating from the Insured's **site(s)** to which this insurance does not apply. The Company may, at its discretion, investigate any **pollution condition** and settle any **claim or suit** that may result. But:
 - (a) The amount the Company will pay for damages is limited as described in **LIMITS OF LIABILITY AND DEDUCTIBLE (SECTION VI)**; and

- (b) The Company's right and duty to defend end when the Company has exhausted the applicable limit of liability by the payment of judgments, settlements, or expenses under all Insuring Agreements or by the payment of any Supplementary Payments which reduce the limits of liability.
- 2. This insurance applies to **claims** that result from **pollution conditions** only if:
 - (a) The **pollution conditions** take place in the **coverage territory**; and
 - (b) The **pollution conditions** commence after the Retroactive Date shown in the Declarations, if any, and before the end of the **policy period**; and
 - (c) The **claim** is first made against an Insured (in accordance with paragraph 3. below) and reported to the Company during the **policy period** or any Extended Reporting Period.
- 3. A **claim** by a person or organization seeking damages will be deemed to have been made at the earlier of the following:
 - (a) When written notice of such **claim** is received by the Insured; or
 - (b) When the Company settles a **claim** in accordance with paragraph 1. above.

All **claims** for damages to the same person, including damages claimed by any person or organization for care, loss of services or death resulting at any time, will be deemed to have been made at the time the first of those **claims** is made against any Insured.

Coverage C – Supplementary Payments

The Company will pay, with respect to any **claim** we investigate or settle, or any **suit** against an Insured we defend:

- 1. All expenses the Company incurs, including but not limited to expenses incurred pursuant to its rights and duties to investigate, settle and defend **claims** and **suits**.
- 2. All reasonable expenses incurred by the Insured at the Company's request to assist the Company in the investigation or defense of the **claim** or **suit**, including actual loss of earnings up to \$250 a day because of time off from work to attend any trial, deposition, or interrogatory at which the Company has requested the Insured's attendance, or at which such attendance is required by the court.
- 3. All costs taxed against the Insured in the **suit**.
- 4. Prejudgment interest awarded against the Insured on that part of a judgment the Company pays. If the Company makes an offer to pay the applicable limit of insurance, the Company will not pay any prejudgment interest based on that period of time after the offer.
- 5. All interest on the full amount of any judgment that accrues after entry of the judgment and before the Company has paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of the insurance.

These payments will reduce the limits of insurance shown in the Declarations.

II. EXCLUSIONS

A. Applicable to Coverages A, B, and C:

1. This policy does not apply to punitive damages, exemplary damages, multiplied damages, fines or penalties.
2. This policy does not apply to non-monetary awards or relief, including but not limited to specific performance or injunctive relief of any kind, and this policy will not apply to **claims or suits** seeking only non-monetary awards or relief.
3. This policy does not apply to **cleanup costs, claims, or supplementary payments:**

- (a) Arising out of or related to **pollution conditions** that were known by an Insured to exist prior to the inception of this policy.
- (b) Based upon or arising out of the liability of others assumed by an Insured under any contract or agreement, unless the liability of such Insured would exist in the absence of a contract or agreement.
- (c) Arising out of or related to **pollution conditions** which result from the use, ownership, operation, maintenance or entrustment to others of any **auto**, aircraft, watercraft, or rolling stock owned or operated by, or leased, rented or loaned to any Insured. This exclusion shall not apply, however, to loading or unloading operations performed at your **site(s)**.
- (d) Arising out of or related to **pollution conditions** at, on, under or migrating from any **site(s)** that first commence after such property is sold, given away, abandoned or condemned.
- (e) Arising out of or related to the presence of asbestos or any asbestos-containing products, fibers, or asbestos dust, unless specifically endorsed onto this policy.
- (f) Arising out of or related to an Insured's intentional, willful or deliberate non-compliance with any statute, regulation, ordinance, administrative complaint, notice of violation, notice letter, executive order or instruction of any governmental or public agency or body either before or after policy inception.
- (g) Arising out of or related to any **bodily injury** to an **employee or executive officer** of any Insured or any parent, subsidiary or affiliate thereof arising out of and in the course of: (i) employment by such Insured or its parent, subsidiary or affiliate; or (ii) performing duties related to the conduct of the business of the Insured or its parent, subsidiary or affiliate.

This exclusion will apply whether the Insured may be liable as an employer or in any other capacity, and will apply to any obligation on the part of the Insured to share damages with or repay someone else who must pay damages because of the **bodily injury**. In addition, this exclusion will apply to any **claim** by a spouse, child, parent, brother or sister of an **employee** based upon or arising out of **bodily injury** to such **employee**.

- (h) Arising out of or related to any obligation of any Insured under a workers compensation, disability benefits, unemployment compensation, employee benefits, pension, profit sharing, or ERISA law or any similar law.

- (i) Arising out of or related to **pollution conditions** which result from the existence of any underground storage tank(s) or associated piping at the Insured's **site(s)**, but only if the existence of the underground storage tank(s) or associated piping is known by any Insured prior to the effective date of this policy. This exclusion will not apply to underground storage tank(s) or associated piping when endorsed onto this policy.
- (j) Based upon or arising out of any consequence, whether direct or indirect, of war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection or military or usurped power, strike, riot, or civil commotion.

B. Applicable to Coverage A only:

This policy does not apply to **cleanup costs**:

- 1. Arising out of or related to or in connection with any **capital expenditure** or improvement to or at your **site(s)** unless the **pollution condition** was discovered in the process of incurring any **capital expenditure** or performing improvement to or at your **site(s)**.
- 2. Arising out of or related to the existence, required removal or abatement of lead paint unless specifically endorsed onto this policy.

C. Applicable to Coverages B and C only:

This policy does not apply to **claims**:

- 1. Against any Insured by any other Insured or former Insured under this policy.
- 2. Arising out of or related to **property damage** to property owned, leased, operated by, or in the care, custody or control of an Insured, even if such **property damage** is incurred to avoid or mitigate further damage or **claims** which may be covered under this policy.
- 3. Arising out of or related to **pollution conditions** at, on, under or migrating from any location to which the Insured has sent waste materials for treatment, storage or disposal, unless such disposal **site(s)** are designated on the Declarations Page or by endorsement.
- 4. Arising out of **your product or your work**.

III. WHO IS AN INSURED

A. If the Named Insured is designated in the Declarations as:

- (1) An individual, the **Named Insured** and his or her spouse are Insureds, but only with respect to the conduct of a business of which the Named Insured is the sole owner.
- (2) A partnership or joint venture, the **Named Insured** is an Insured. Its members, its partners, and their spouses are also Insureds, but only with respect to the conduct of the **Named Insured's** business.

- (3) A limited liability company, the **Named Insured** is an Insured. Its members are also Insureds, but only with respect to the conduct of the **Named Insured's** business. Its managers are Insureds, but only with respect to their duties as the **Named Insured's** managers.
- (4) An organization other than a partnership, joint venture, or limited liability company, the **Named Insured** is an Insured. Its **executive officers** and directors are Insureds, but only with respect to their duties as officers or directors.

B. Each of the following is also an Insured:

- (1) The Insured's **employees**, other than either its **executive officers** (if it is an organization other than a partnership, joint venture, or limited liability company) or its managers (if it is a limited liability company), but only for acts within the scope of their employment by the Insured or while performing duties related to the conduct of the Insured's business.
- (2) Any person (other than the Insured's **employee**), or any organization while acting as the Insured's real estate manager.
- (3) Any person or organization having proper temporary custody of the Insured's **site(s)** if the Insured dies, but only:
 - (a) With respect to liability or **cleanup costs** arising out of the maintenance or use of the Insured's **site(s)**; or
 - (b) Until the Insured's legal representative has been appointed.
- (4) The Insured's legal representative if he or she dies, but only with respect to duties as such. That representative will have all of the Insured's rights and duties under this policy.

IV. NOTICE REQUIREMENTS

As a condition precedent to the Insured's rights to coverage under this Policy, the Insured must give the Company notice of **pollution conditions** or **claims** as follows:

- A. If **pollution conditions** are discovered during the **policy period**, or if a **claim** is made during the **policy period** or, if applicable, during an Extended Reporting Period, the Insured must give written notice to the Company as soon as practicable, but in no event later than thirty (30) days thereafter, sufficient to identify such Insured and reasonably obtainable information with respect to:**
- (1) The identity of the **site(s)** at issue, a description of the **pollution conditions** (including the time, place, cause, and nature thereof and other circumstances relating thereto), and all persons with relevant knowledge thereof.
 - (2) Any and all information developed or discovered by the Insured regarding any **claim**, including all correspondence between the Insured and any claimant; all demands, summonses, notices or other processes, complaints or papers regarding such **claim** filed with any court, administrative agency or investigative body; all technical reports, laboratory data, field notes, or any other documents generated by persons hired by the Insured to investigate or remediate any **pollution conditions**; and all relevant expert reports, investigations, and data collected by experts retained by the Insured, whether or not the Insured intends to use the material for any purpose.

- B. The obligation of the Insured to comply with this notice provision will not be excused if the Company becomes aware of **pollution conditions** through any independent means.

V. RIGHTS OF THE COMPANY AND DUTIES OF THE INSURED

A. The Company's Rights:

1. After receiving notice in conformity with Section IV above, the Company will have the right, but not the duty, to clean up or mitigate any **pollution conditions** of which it has been given notice.
2. The Company will have the right, but not the duty, to review and approve all aspects, including any and all contemplated actions, of any **cleanup** as described in this policy.
3. Any amounts expended by the Company in the **cleanup** or mitigation of **pollution conditions** of which it has been given notice will be applied against the applicable Limit of Liability and deductible set forth in the Declarations.

B. The Insured's Duties:

1. The **Named Insured** will have the duty to retain competent professionals or contractors mutually acceptable to the Company and the **Named Insured** to clean up **pollution conditions**. The **Named Insured** must promptly notify the Company of actions and measures taken pursuant to this Section.
2. The Insured must cooperate with the Company and offer all reasonable assistance in the investigation and defense of any **claim** or **cleanup** of **pollution conditions**. At the Company's request, the Insured must submit to examination under oath, attend hearings, depositions and trials, provide written statements and/or attend meetings with the Company. The Insured must also assist the Company in effecting settlements, securing and providing documents or other evidence and obtaining the attendance of witnesses.
3. The Insured may incur no costs, charges or expenses in the defense or investigation of any **claim** or discovery of **pollution conditions** without the Company's written consent, which shall not be unreasonably withheld. No Insured may voluntarily enter into any settlement or make any payment or assume any obligation without the Company's written consent, unless the Insured does so: (a) in response to an **emergency situation** which requires an immediate response to **pollution conditions**, (b) pursuant to federal, state and/or local law which requires immediate response to **pollution conditions**, or (c) at its own cost.
4. If an Insured is entitled by law to choose independent legal counsel at the Company's expense, then any and all such expenses associated with such independent legal counsel's defense of the Insured shall be limited to the then-prevailing rates the Company pays its own legal counsel to defend a similar action or proceeding under Coverage B and/or Coverage C in the jurisdiction where such action or proceeding is pending.

In addition, the Company shall require, and the Insured shall have the duty to ensure, that such independent legal counsel have certain minimum qualifications with respect to their competency, including experience in defending actions or proceedings similar to the action or proceeding pending against the Insured, and that such counsel has errors and omissions coverage.

Also, the Insured shall have the duty to ensure that such independent legal counsel cooperate with the Company in the defense of any such action or proceeding, including but not limited to, timely responding to the Company's requests for status reports and immediately providing the Company any and all non-privileged information that it may request.

The Insured may at any time, by written notice to the Company, waive its right to choose independent legal counsel.

VI. LIMITS OF LIABILITY AND DEDUCTIBLE

The Company's obligations under this Policy are subject to the following, regardless of the number of **claims**, **claimants**, **pollution conditions**, or Insureds under this policy:

A. Policy Aggregate Limit:

The Company's maximum liability under this policy for all **cleanup costs**, **claims**, **bodily injury**, **property damage**, and supplementary payments will not exceed the policy's General Aggregate Limit of Liability set forth in the Declarations.

B. Each Pollution Condition Limit:

Subject to and included in the limit of liability described in Section VI. A. above, the Each Pollution Condition Limit set forth in the Declarations is the maximum amount the Company will pay for all **cleanup costs**, **claims**, **bodily injury**, **property damage**, and supplementary payments arising from the same, continuous or related **pollution conditions**.

Related Pollution Conditions:

If an Insured discovers **pollution conditions** at, on or under a site during the **policy period** and reports such discovery to the Company pursuant to Section IV of this policy, all continuous or related **pollution conditions** discovered and reported to the Company under a subsequent policy or policies issued by the Company or an affiliate thereof providing coverage substantially the same as the coverage afforded under this policy will be treated as if they were discovered and reported to the Company during this **policy period**. There will be no coverage under this policy, however, for such subsequently discovered **pollution conditions** unless, at the time of such subsequent discovery, the **Named Insured** has maintained with the Company or an affiliate thereof coverage substantially the same as the coverage afforded under this policy on a continuous, uninterrupted basis since the initial discovery of **pollution conditions**. All **cleanup costs** arising from such continuous or related **pollution conditions** will be subject to the Each Pollution Condition Limit applicable when the original **pollution conditions** were discovered and reported.

If a **claim** is made against an Insured and reported to the Company pursuant to Section IV, all **claims** arising from the same, continuous or related **pollution conditions** made against an Insured and reported under a subsequent policy or policies issued by the Company or an affiliate thereof providing coverage substantially the same as the coverage afforded under this policy will be treated as if they were first made and reported during this **policy period**. There will be no coverage under this policy for such **claims**, however, unless at the time such **claims** are subsequently made and reported the **Named Insured** has maintained with the Company or an affiliate thereof coverage substantially the same as the coverage afforded under this policy on a continuous, uninterrupted basis since the first such **claim** was made and reported to the Company. All liability of the Company for **cleanup costs**, **bodily injury**, **property damage**, and supplementary payments arising from such **claims** will be

subject to the Each Pollution Condition Limit applicable when the first of such **claims** was made and reported.

C. Deductible:

Subject to Sections VI. A. and VI. B. above, this policy will pay the amount of covered **cleanup costs**, damages resulting from **claims** for **bodily injury** or **property damage**, and supplementary payments, as the case may be, that exceeds the deductible amount set forth in the Declarations, up to but not exceeding the Each Pollution Condition Limit set forth in the Declarations. A single deductible amount will apply to all **cleanup costs**, **claims**, **bodily injury**, **property damage**, and supplementary payments arising from the same, continuous or related **pollution conditions**. The Company has the right, but not the obligation, to make any payments associated with **cleanup costs**, **claims**, **bodily injury**, **property damage**, or supplementary payments within the amount of the applicable deductible if the Company, in its discretion, deems it advisable to do so. If the Company exercises this right, the Insured must promptly, but in no event later than thirty (30) days, reimburse the Company for any payments made by the Company within the amount of the applicable deductible.

VII. DEFINITIONS

- A. **Auto** means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. **Auto** does not include **mobile equipment**. However, self-propelled vehicles with the following types of permanently attached equipment are not **mobile equipment** but will be considered **autos**:
1. Equipment designed primarily for snow removal, road maintenance other than construction or resurfacing, or street cleaning;
 2. Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and
 3. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.
- B. **Bodily injury** means physical injury, sickness or disease sustained by a person, including death resulting from any of these at any time, including mental anguish or emotional distress which arises out of physical injury.
- C. **Capital Expenditure** means funds spent for additions or improvements to your plant or equipment for voluntary reasons or to comply with the requirements of any regulatory agency to prevent future **pollution conditions**.
- D. **Claim** means a written request or demand received by an Insured for money or services, including the institution of a suit or arbitration proceedings against an Insured seeking damages. **Claim** includes any directive, order, requirement, court order or suit of the government of the United States or Canada or any local, State, or Provincial Government entity of the United States of America or Canada duly acting under the authority of environmental or related laws.
- E. **Cleanup** means the investigation, evaluation, monitoring, testing, removal, containment, treatment, disposal, remediation, detoxification or neutralization of **pollutants**. The **cleanup** shall be deemed to be complete upon receipt of a "no further action" letter or a "clean closure" determination from the supervising governmental authority, or upon satisfaction of

the requirements set forth in the American Society of Testing and Materials Guide for Risk Based Corrective Actions.

- F. **Cleanup costs** mean the expenses incurred to perform a cleanup. **Cleanup costs** do not include **capital expenditures**.
- G. **Coverage territory** means:
1. The United States of America (including its territories and possessions), Puerto Rico and Canada;
 2. International waters or airspace, provided that injury or damage does not occur in the course of travel or transportation to or from any place not included in 1. above.
- H. **Emergency situation** means an unforeseen event that calls for immediate action to prevent or mitigate **pollution conditions**.
- I. **Employee** includes temporary and leased staff working on behalf of and under direct supervision of an Insured, but only for **your work**.
- J. **Executive officer** means a person holding any of the officer positions created by your charter, constitution, by-laws or similar governing document.
- K. **Mobile equipment** means any of the following types of land vehicles, including any attached machinery or equipment:
1. Bulldozers, farm machinery, forklifts, and other vehicles designed for use principally off public roads.
 2. Vehicles maintained for use solely on or next to premises you own or rent.
 3. Vehicles that travel on crawler treads.
 4. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:
 - (a) power cranes, shovels, loaders, diggers or drills; or
 - (b) road construction or resurfacing equipment such as graders, scrapers or rollers.
 5. Vehicles not described in 1., 2., 3., or 4. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
 - (a) air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
 - (b) cherry pickers and similar devices used to raise or lower workers.
 6. Vehicles not described in 1., 2., 3., or 4. above maintained primarily for purposes other than the transportation of persons or cargo.
- L. **Named Insured** means the person(s) or entity(ies) identified as such in the Declarations or by endorsement.

- M. Policy period** means the period set forth in the Declarations, or any shorter period upon termination of coverage.
- N. Pollutant(s)** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapors, soot, fumes, acids, alkalis or toxic chemicals, and includes waste.
- O. Pollution conditions** mean the discharge, dispersal, seepage, migration, release or escape of pollutants.
- P. Property damage** means:
1. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it;
 2. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the pollution condition that caused it; or
 3. Cleanup costs.
- Q. Site(s)** means the specific location(s) designated on the Declarations Page or by endorsement onto the policy.
- R. Suit** means a civil proceeding in which damages because of any acts, errors or omissions to which this insurance applies are alleged. Suit includes:
1. An arbitration proceeding in which such monetary damages are claimed and to which the Insured must submit or does submit with our consent; or
 2. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the Insured submits with our consent.
- S. Termination of coverage** occurs at the time of cancellation or nonrenewal of this policy by the Named Insured or by the Company, or at the time the Company deletes a previously covered site.
- T. Your product** means:
1. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:
 - (a) You;
 - (b) Others trading under your name; or
 - (c) A person or organization whose business or assets you have acquired.
 2. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.
- Your product** includes:
1. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of **your product**; and
 2. The providing of or failure to provide warning or instructions.

Your product does not include vending machines or other property rented to or located for the use of others but not sold.

U. Your work means:

1. Work or operations performed by you or on your behalf; and
2. Materials, parts or equipment furnished in connection with such work or operations.

Your work includes:

1. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of **your work**; and
2. The providing of or failure to provide warnings or instructions.

VIII. EXTENDED REPORTING PERIOD – COVERAGES B AND C

Upon **termination of coverage**, the **Named Insured** will be entitled to an Automatic Extended Reporting Period, and with certain exceptions as described in paragraph B. below, will also be entitled to purchase an Optional Extended Reporting Period, applicable only to Coverages B and C. Any Extended Reporting Period provided hereunder will only apply to a **claim arising from pollution conditions** that commenced prior to the end of the **policy period** and which are otherwise covered by this policy. If there is a **termination of coverage** for less than all of the Insured's **sites**, the Extended Reporting Provisions will apply with respect to those **site(s)** for which coverage was terminated. Neither the Automatic nor the Optional Extended Reporting Period will operate to reinstate or increase the Limits of Liability stated in the Declarations. Any **claim** first made and reported within either the Automatic or Optional Extended Reporting Period will be treated as if it had been made during the **policy period**. The Automatic Extended Reporting Period will not be applicable if the **Named Insured** exercises its option to purchase the Optional Extended Reporting Period. Neither Extended Reporting Period shall be available to the Insured in the event of nonpayment of premium.

A. Automatic Extended Reporting Period:

Upon **termination of coverage**, the **Named Insured** will be entitled to an Automatic Extended Reporting Period which will be in effect for the period of sixty (60) days after **termination of coverage** as defined herein or until the effective date of any insurance purchased by the **Named Insured** to replace this insurance, whichever is earlier.

B. Optional Extended Reporting Period:

Upon **termination of coverage**, the **Named Insured** will be entitled to purchase an Optional Extended Reporting Period.

The Company will issue an endorsement providing an Extended Reporting Period of up to sixty (60) months from **termination of coverage** hereunder applicable to any insured property, provided that the **Named Insured**:

1. makes a written request for such endorsement which the Company receives within thirty (30) days after **termination of coverage** as defined herein; and
2. pays the Company an additional premium charge determined by the Company within thirty (30) days of **termination of coverage** as defined herein. Such additional

premium charge may not exceed 200% of the policy premium stated in the Declarations, as the same may have been adjusted from time to time.

If the additional premium is paid when due, the Extended Reporting Period may not thereafter be cancelled, provided that all other terms and conditions of the policy are met.

IX. CONDITIONS

- A. **Assignment:** This policy may be assigned only with the prior written consent of the Company. If the **Named Insured** conveys fee title to a covered **site(s)** and notifies the Company, in writing, within forty-five (45) days thereof, the Company's consent to assign this policy to a purchaser of such insured property shall not be unreasonably withheld.
- B. **Subrogation:** In the event of any payment under this policy, the Company will be subrogated to all of the Insured's rights of recovery therefor against any person or organization, and the Insured must execute all documents and do whatever else may be necessary to secure such rights, including without limitation executing assignments of the Insured's rights against any person or organization responsible for any **pollution conditions** on account of which the Company made any payment under this policy. The Insured shall do nothing to prejudice the Company's rights or position under this Section IX. B. Any recovery as a result of subrogation proceedings arising out of the payment of **cleanup costs**, damages resulting from claims for **bodily injury** or **property damage**, or supplementary payments will accrue first to the Insured to the extent of any payments by them in excess of the limit of coverage, and then to the Company to the extent of its payment under the policy, and finally to the Insured to the extent of the applicable deductible. Expenses incurred in such subrogation proceedings will be apportioned among the parties interested in the recovery in the proportion that each interested party's share in the recovery bears to the total recovery.
- C. **Changes:** No notice to any agent of the Company or knowledge possessed by any such agent or by any other person will effect any waiver or change in any part of this policy or estop the Company from asserting any rights under the terms of this policy; nor may the terms of this policy be waived or changed, except by endorsement issues to form a part of this policy.
- D. **Sole Agent:** The **Named Insured** first listed in the Declarations will act on behalf of all other Insureds, if any, with respect to the payment or return of premium, receipt and acceptance of any endorsement issued to form a part of this policy, giving and receiving of notice of cancellation or nonrenewal, and the exercise of the rights provided in Section VIII above.
- E. **Concealment or Misrepresentation:** Whether or not **cleanup costs** have been incurred, **pollution conditions** have been discovered, or a **claim** has been made, this entire policy will be void if the **Named Insured** has concealed or misrepresented any fact or circumstance material to the granting of coverage under this policy or the interest of the Insured therein.
- F. **Cancellation:**
 - 1. The **Named Insured** may cancel this policy by surrendering it to the Company or to any of the Company's authorized agents, or by mailing to the Company written notice stating when thereafter such cancellation will be effective.
 - 2. The Company may cancel this policy by mailing to the **Named Insured**, at the address set forth in the Declarations, written notice stating when, not less than thirty

(30) days (ten (10) days for nonpayment of premium) thereafter, such cancellation will be effective. Proof of mailing of such notice shall be sufficient proof of notice.

3. The time of surrender or the effective date and hour of cancellation stated in the notice will become the end of the **policy period**. Delivery of such written notice by the Company will be equivalent to mailing.
- G. **Other Insurance:** Where other insurance may be available to the Insured for **cleanup costs, claims, bodily injury, property damage**, or supplementary payments covered under this policy, the Insured shall promptly upon the request of the Company provide the Company with copies of all such insurance policies. If any other insurance is available to any Insured, the Company's obligations are limited as follows:
1. This insurance is primary, and the Company's obligations are not affected unless any of the other insurance is also primary. In that event, the Company will share with all such other insurance by the method described in paragraph 2. below.
 2. If all of the other insurance permits contribution by equal shares, the Company will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first. If any of the other insurance does not permit contribution by equal shares, the Company will contribute by limits. Under this alternative method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all primary insurers.
- H. **Right of Access and Inspection:** The Company and its authorized representatives will, when the Company so desires, have the right and opportunity, but not the obligation, to interview persons employed by any Insured and to inspect at any reasonable time, during the **policy period** or thereafter, any insured property and all improvements, structures, products, ways, works, machinery and appliances thereon; but neither the Company nor its representatives will assume any responsibility or duty to any Insured or to any other party, person or entity by reason thereof. Neither the Company's right to make inspections, sample and monitor, nor the actual undertaking thereof, nor any report thereon will constitute an undertaking, on behalf of any Insured or others, to determine or warrant that property or operations are safe or conform to acceptable practices or comply with any applicable law, rule or regulation. The **Named Insured** will provide appropriate personnel to assist the Company's representatives during any inspection without charge to the Company.
- I. **Access to Information:** The Insured will provide to the Company any and all information they develop or discover concerning **cleanup costs** for **pollution conditions** covered under this policy, whether or not they deem such information to be relevant to such **cleanup costs**, and they will provide the Company free access to interview any agent or **employee** and review any documents of the Insured.
- J. **Representations:** By acceptance of this policy, the **Named Insured** agrees that the statements in the application are their agreements and representations, that this policy is issued in reliance upon the truth of such representations, and that this policy embodies all agreements existing between the **Named Insured** and the Company or any of its agents relating to this insurance.
- K. **Action Against Company:** No action will lie against the Company unless, as a condition precedent thereto, there has been full compliance with all of the terms of this policy, nor until the amount of the Insured's obligation to pay has been finally determined either by judgment against the Insured after actual trial or by written agreement among the Insured, the claimant and the Company. Any person or organization or any legal representative thereof who has

secured such judgment or written agreement will thereafter be entitled to recover under this policy to the extent of the insurance afforded by the policy. No person or organization will have any right under this policy to join the Company as a party to any action against the Insured to determine the Insured's liability, nor may the Company be impleaded by any Insured to his, her or its legal representative. Bankruptcy or insolvency or an Insured or of an Insured's estate will not relieve the Company of any of its obligations hereunder.

- L. Severability:** Except with respect to the Limits of Liability and any rights or duties specifically assigned to the Named Insured, this insurance applies as follows:
1. As if each Insured were the only Insured; and
 2. Separately to each Insured against whom a claim is made or suit is brought.
- M. Material Change in Operations:** The Insured must notify the Company, in writing, within sixty (60) days, of any change in operations at an insured property that materially increases environmental risk described in the application and in other documents disclosed to the Company prior to the policy period.
- N. Choice of Law and Forum:** In the event that the Insured and the Company dispute the validity of formation of this policy or the meaning, interpretation or operation of any term, condition, definition or provision of this policy resulting in litigation, arbitration or any other form of dispute resolution, the Insured and the Company agree that the laws of the State of New York shall apply and that all litigation, arbitration or other form of dispute resolution shall take place in the State of New York.

IN WITNESS WHEREOF, the Company has caused this policy to be signed by its president and secretary and signed on the Declarations page by a duly authorized representative or countersigned in states where applicable.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS, TX 75202-2733

MAR 23 2001

Lawrence Patterson
Chief Operations Officer
Laguna Industries Inc.
P.O. Box 1001
Laguna, NM 87026

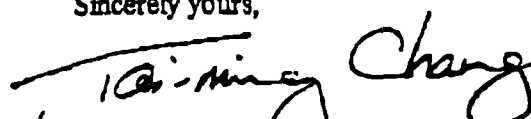
Re: Laguna Industries Inc., (EPA I.D. Number NMD1310109266), Consent
Agreement and Consent Order (Docket No. RCRA-VI-833-H)

Dear Mr. Peterson:

The United States Environmental Protection Agency (EPA), Region 6, is in receipt of your letter dated March 1, 2001, requesting confirmation that the above-referenced Consent Agreement and Consent Order (the Order) has been satisfied. Since your compliance with Section VI of the Order (Compliance Order), Laguna Industries, LLC., has fulfilled the requirements of the Order. Therefore, in accordance with Section XIV (Termination), the Order has been satisfied and terminated.

If you have any questions, please call Lorraine Tunley-Dixon at (214) 665-7589.

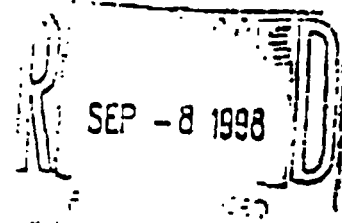
Sincerely yours,


for Samuel Coleman, P.E.
Director
Compliance Assurance
Enforcement Division



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 5
1445 ROSS AVENUE, SUITE 1200
DALLAS, TX 75202-2733

SEP - 2 1998



CERTIFIED MAIL RETURN RECEIPT REQUESTED

Michael Canfield
President and CEO
Laguna Industries, Inc.
P.O. Box 1001
Laguna, New Mexico 87026

Re: Laguna Industries, Inc., Docket # RCRA-VI-833-H

Dear Mr. Street:

The U.S. Environmental Protection Agency (EPA) has issued a Complaint, Compliance Order, and Notice of Opportunity for Hearing (Complaint) against your company, Laguna Industries in which RCRA violations are alleged. The Complaint was filed on September 2, 1998 with the Regional Hearing Clerk. As you are aware, a settlement has been reached between your company and EPA regarding the alleged violations, and the terms of the settlement are specified in the Consent Agreement and Consent Order (CACO), which was filed with the Regional Hearing Clerk.

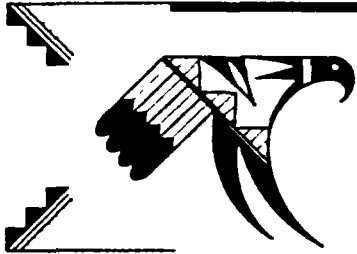
Please note that your company, Laguna Industries, was not ordered to pay any civil penalties, however, Laguna Industries is ordered pursuant to the terms of the CACO to comply with the provisions of the CACO Compliance Order Section within thirty (30) days of the effective date of the CACO.

Thanks for your cooperation in resolving this matter.

Sincerely yours,

A handwritten signature in cursive script, reading "Lorraine Tunley-Dixon", is written over the typed name.

Lorraine Tunley-Dixon, Esq.
Enforcement Counsel



Laguna Industries, Inc.
P.O. Box 1001
Laguna, New Mexico 87026
(505) 552-6041

February 4, 2002

RE: Requested information on Hazardous Waste Streams

Laguna Industries, Inc. currently collects three types of hazardous waste from two work centers.

Paint Department:

- Collection of flammable liquids at satellite accumulation point in work center. This is the remains from paint processes that include mixing, spray applications and equipment cleanup.
Note: *less than 55 gallons per month average*
- Collection of rags used for equipment cleanup, contaminated with solvents and paints.
Note: *less than 55 gallon container per 6 month average*

Electrical Department:

- Collection of flammable liquids at satellite accumulation point in work center. This is the remains from the ultrasonic parts cleaning operation. This process uses isopropyl alcohol.
Note: *less than 55 gallon per year average*

These waste streams are profiled with Advanced Environmental Solutions, Inc. Materials are collected in 55 gallon (UN1A1 & 1A2) drums. All filled drums are then shipped and disposed of in accordance with 40 C.F.R. Manifest documentation is kept on file in the operations office.

If any additional information is required, please contact me at 505-552-6041 x158.

Lawrence V. Peterson
Chief Operations Officer